



# Iowa Department of Human Services

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## INFORMATIONAL LETTER NO.1366

**DATE:** March 17, 2014

**TO:** Iowa Medicaid Hospital Providers

**ISSUED BY:** Iowa Department of Human Services, Iowa Medicaid Enterprise (IME)

**SUBJECT:** Diagnosis Related Group (DRG) Impact Fiscal Analysis for ICD-10 Implementation

**EFFECTIVE:** October 1, 2014

The IME would like to engage institutional providers to participate in a test assessment to identify fiscal impacts of ICD-10 coding use in the Medicare Severity-Diagnosis Related Group (MS-DRG) which will be impacted by ICD-10 implementation.

The Centers for Medicare and Medicaid Services (CMS) and the 3M Company conducted a conversion assessment that modeled three different MS-DRG groupings (*native ICD-9-CM*, *native ICD-10* and *mapped ICD-9-CM*) along with the resulting payments. The results of the payment impact analysis showed that the conversion to a *native ICD-10* version of MS-DRGs had a minimal impact (estimated at .04 percent increase) on aggregate payments to hospitals and the distribution of payments across hospitals. Mapping ICD-10 data back to *native ICD-9-CM* and using the *native ICD-9-CM* MS-DRG resulted in an overall payment decrease of .38 percent having a greater impact on aggregate payments to hospitals and the distribution of payments across hospitals.

CMS has released an ICD-10 compatible MS-DRG grouper with Medicare Code Editor Pilot Software. This pilot grouper software utilizes the conversion to a *native ICD-10* version of MS-DRGs. Due to findings of minimal DRG fiscal impact in the CMS/3M conversion project, the IME elected to implement MS-DRG pilot grouper for testing and analysis purposes. Release of the official ICD-10-CM/PCS MS-DRG Grouper software is subject to rule making and is to be effective October 1, 2014, which aligns with the proposed ICD-10 implementation date.

The IME has completed internal analysis similar to the CMS/3M conversion project. The IME would like to engage hospitals to participate in further analysis by providing previously processed ICD-9-CM claims to the IME that have been recoded using *native ICD-10* coding. The purpose of this analysis is to identify financial impact to both the state and providers and determine if adjustments need to be made to the payment system logic in order to reduce the financial risk.

If you would like to participate in DRG fiscal impact analysis please contact the IME Provider Services Unit at 1-800-338-7909, locally in Des Moines at 515-256-4609, or by email at [imeproviderservices@dhs.state.ia.us](mailto:imeproviderservices@dhs.state.ia.us).